



PRESS RELEASE

(Stock Symbol "CLT" – TSX)

September 4, 2003

Calgary, Alberta

CELTIC TO RAISE \$15.6 MILLION, PROVIDES OPERATIONS UPDATE AND INCREASES CAPITAL EXPENDITURE BUDGET FOR 2003

Celtic Exploration Ltd. ("Celtic" or "the Company") has entered into an agreement with a group of underwriters, led by FirstEnergy Capital Corp. and including First Associates Investments Inc., Orion Securities Inc., BMO Nesbitt Burns Inc. and Peters & Co. Limited, to issue by way of private placement, 2.5 million common shares of the Company at a price of \$6.25 per share. The closing price of Celtic common shares on the Toronto Stock Exchange on September 3, 2003 was \$6.60.

This equity issue is subject to regulatory approval and closing is expected to take place on or about September 18, 2003. Proceeds from this offering will be used to finance Celtic's on-going development and exploration capital expenditures.

As a result of recent drilling success and a property acquisition, Celtic has increased its capital expenditure budget for 2003 to \$50.0 million, up 25 percent from the previous budget of \$40.0 million. To date, the Company has incurred \$38.0 million in capital expenditures.

At Fox Creek, in west central Alberta, in two separate transactions, Celtic has acquired a 100 percent working interest in approximately 200 BOE/d of production for \$4.4 million. Production at Fox Creek is light oil from the Devonian Swan Hill formation. The Company is currently re-completing a well at Fox Creek and plans a horizontal drilling program in the fourth quarter of 2003.

Celtic currently has approximately 3.0 to 4.0 mmcf/d of natural gas production behind pipe after successful drilling, recompletion and workover operations at Skaro, McGregor, Joffre, Buffalo Lake and Ashmont. Celtic expects to have this production on-stream by the fourth quarter of 2003.

At Kakwa/Chime, in the deeper basin of western Alberta, Celtic is currently testing and completing four wells that were previously drilled. In this area, the Company has accumulated over 70 sections of land, at an average working interest of 22 percent. The target zone of interest at Kakwa is the Fahler where wells adjacent to Celtic lands have come on production at rates ranging from 2.0 to 15.0 mmcf/d of natural gas. This area is also prospective in several other formations giving the Company exposure to natural gas in multiple horizons. Celtic will have an indication of natural gas productivity from these four cased wells after testing and completions are finalized later this year. The Company expects to participate in a 3D seismic shoot over its lands in the fourth quarter of 2003.

During the remainder of 2003, Celtic plans to drill 12 to 14 wells in its core producing areas including Bow Island, Ashmont and Kakwa/Chime.

Celtic continues to remain positive about its future growth prospects and is optimistic about the current opportunities in the oil and gas industry. The Company also remains committed to its dual prong strategy to acquire assets with exploitation potential and at the same time, implement its full cycle exploration program.

Celtic's common shares trade on the Toronto Stock Exchange under the symbol "CLT". Upon completion of the aforementioned equity financing, Celtic will have 25,398,234 common shares issued and outstanding.

For further information, please contact:

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